

Ms. Laura Anne Winn, Administrator
Ellen Sagar Nursing Home
Route 7, Box 138
Union, South Carolina 29379

Re: AC# 3-ELS-J3 – Union Hospital District d/b/a Ellen Sagar Nursing Home

Dear Ms. Winn:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1992 through September 30, 1993. That report was used to set the rate covering the contract periods beginning October 1, 1994.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA
State Auditor

EAVjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME**

UNION, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1994
AC# 3-ELS-J3**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 14, 1997

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Union Hospital District d/b/a Ellen Sagar Nursing Home, for the contract periods beginning October 1, 1994 and for the twelve month cost report period ended September 30, 1993, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Union Hospital District d/b/a Ellen Sagar Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Union Hospital District d/b/a Ellen Sagar Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 14, 1997

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA
State Auditor

UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME
Computation of Rate Change
For the Contract Periods
Beginning October 1, 1994
AC# 3-ELS-J3

	<u>10/01/94-</u> <u>12/31/94</u>	<u>01/01/95-</u> <u>09/30/95</u>
Interim reimbursement rate (1)	\$70.35	\$69.04
Adjusted reimbursement rate	<u>68.01</u>	<u>66.71</u>
Decrease in reimbursement rate	\$ <u>2.34</u>	\$ <u>2.33</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 17, 1996

**UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME**

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1994 Through December 31, 1994
AC# 3-ELS-J3

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.64	\$30.58	\$37.76	\$30.58
Dietary	<u>.61</u>	<u>7.57</u>	<u>8.77</u>	<u>7.57</u>
Subtotal	<u>\$3.25</u>	38.15	46.53	38.15
Laundry/Housekeeping/Maint.	\$ -	7.11	6.74	6.74
Administration & Med. Rec.	<u>1.65</u>	<u>5.70</u>	<u>7.35</u>	<u>5.70</u>
Subtotal	<u>\$1.65</u>	50.96	<u>\$60.62</u>	50.59
<u>Costs Not Subject to Standards:</u>				
Utilities		1.74		1.74
Special Services		.63		.63
Medical Supplies & Oxy.		3.65		3.65
Taxes and Insurance		.38		.38
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$57.36</u>		56.99
Inflation Factor (4.50%)				2.56
Cost of Capital				8.20
Cost of Capital Limitation				(1.79)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.65
Cost Incentive - For Gen. Serv. & Dietary				3.25
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(3.40)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add-On				<u>.30</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$68.01</u>

**UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME**

Computation of Adjusted Reimbursement Rate
For the Contract Periods January 1, 1995 Through September 30, 1995
AC# 3-ELS-J3

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.64	\$30.58	\$37.76	\$30.58
Dietary	<u>.61</u>	<u>7.57</u>	<u>8.77</u>	<u>7.57</u>
Subtotal	<u>\$3.25</u>	38.15	46.53	38.15
Laundry/Housekeeping/Maint.	\$ -	7.11	6.74	6.74
Administration & Med. Rec.	<u>1.65</u>	<u>5.70</u>	<u>7.35</u>	<u>5.70</u>
Subtotal	<u>\$1.65</u>	50.96	<u>\$60.62</u>	50.59
<u>Costs Not Subject to Standards:</u>				
Utilities		1.74		1.74
Special Services		.03		.03
Medical Supplies & Oxy.		3.00		3.00
Taxes and Insurance		.38		.38
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$56.11</u>		55.74
Inflation Factor (4.50%)				2.51
Cost of Capital				8.20
Cost of Capital Limitation				(1.79)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.65
Cost Incentive - For Gen. Serv. & Dietary				3.25
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(3.40)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add-On				<u>.30</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$66.71</u>

**UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME**

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1993
For the Contract Period October 1, 1994 Through December 31, 1994
AC# 3-ELS-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,010,356	\$ -	\$ 6,852 (3)	\$1,003,504
Dietary	297,862	-	49,475 (5)	248,387
Laundry	94,410	-	-	94,410
Housekeeping	95,106	-	887 (5)	94,219
Maintenance	51,526	-	6,784 (5)	44,742
Administration & Medical Records	199,613	-	12,671 (5)	186,942
Utilities	65,746	-	8,594 (5)	57,152
Special Services	20,555	-	-	20,555
Medical Supplies & Oxygen	119,688	-	-	119,688
Taxes & Insurance	14,305	-	1,799 (5)	12,506
Legal Fees	-	-	-	-
Cost of Capital	214,623	7,882 (4) 59,160 (6)	2,300 (1) 130 (2) 5,288 (2) 2,831 (2) 2,176 (5)	268,940
Subtotal	2,183,790	67,042	99,787	2,151,045

**UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME**

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1993
For the Contract Period October 1, 1994 Through December 31, 1994
AC# 3-ELS-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	17,976	-	-	17,976
Non-Allowable	81,422	6,852 (3)	7,882 (4)	103,618
	<u> </u>	<u>82,386 (5)</u>	<u>59,160 (6)</u>	<u> </u>
Total Operating Expenses	<u>\$2,283,188</u>	<u>\$156,280</u>	<u>\$166,829</u>	<u>\$2,272,639</u>

TOTAL BEDS 95

TOTAL PATIENT DAYS 32,817

**UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME**

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1993
For the Contract Periods January 1, 1995 Through September 30, 1995
AC# 3-ELS-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,010,356	\$ -	\$ 6,852 (3)	\$1,003,504
Dietary	297,862	-	49,475 (5)	248,387
Laundry	94,410	-	-	94,410
Housekeeping	95,106	-	887 (5)	94,219
Maintenance	51,526	-	6,784 (5)	44,742
Administration & Medical Records	199,613	-	12,671 (5)	186,942
Utilities	65,746	-	8,594 (5)	57,152
Special Services	836	-	-	836
Medical Supplies & Oxygen	98,291	-	-	98,291
Taxes & Insurance	14,305	-	1,799 (5)	12,506
Legal Fees	-	-	-	-
Cost of Capital	214,623	7,882 (4) 59,160 (6)	2,300 (1) 130 (2) 5,288 (2) 2,831 (2) 2,176 (5)	268,940
Subtotal	2,142,674	67,042	99,787	2,109,929

**UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME**

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1993
For the Contract Periods January 1, 1995 Through September 30, 1995
AC# 3-ELS-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	17,976	-	-	17,976
Non-Allowable	122,538	6,852 (3)	7,882 (4)	144,734
	<u> </u>	<u>82,386 (5)</u>	<u>59,160 (6)</u>	<u> </u>
Total Operating Expenses	<u>\$2,283,188</u>	<u>\$156,280</u>	<u>\$166,829</u>	<u>\$2,272,639</u>

TOTAL BEDS 95

TOTAL PATIENT DAYS 32,817

UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1993
AC# 3-ELS-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Land Improvements	\$ 41,637	
	Movable Equipment	216,094	
	Accumulated Depreciation	9,176	
	Other Equity	83,017	
	Building and Improvements		\$210,802
	Residential Care		136,822
	Depreciation		2,300
	To adjust fixed assets, accumulated depreciation and related depreciation expense to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Accumulated Depreciation-Land Improvements	634	
	Accumulated Depreciation-Building and Improvements	88,648	
	Accumulated Depreciation-Movable Equipment	41,479	
	Other Equity	138,798	
	Land		1,273
	Land Improvements		1,395
	Building and Improvements		192,983
	Movable Equipment		65,659
	Depreciation-Land Improvements		130
	Depreciation-Building and Improvements		5,288
	Depreciation-Movable Equipment		2,831
	To remove fixed assets applicable to the retirement center HIM-15-1, Section 2102.3		
3	Nonallowable Nursing	6,852	6,852
	To adjust fringe benefits to allowable HIM-15-1, Sections 2102.3 and 2304		
4	Depreciation Nonallowable	7,882	7,882
	To adjust depreciation expense based on the Deemed Asset Value State Plan, Attachment 4.19D		

UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1993
AC# 3-ELS-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	82,386	
	Cost of Capital		2,176
	Taxes and Insurance		1,799
	Administration		12,671
	Maintenance		6,784
	Housekeeping		887
	Utilities		8,594
	Dietary		49,475
	To remove indirect costs applicable to Residential Care HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
6	Cost of Capital	59,160	
	Nonallowable		59,160
	To adjust cost of capital expense in accordance with the cost of capital policy effective July 1, 1989 State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$775,763</u>	<u>\$775,763</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1993
AC# 3-ELS-J3

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>1.8981</u>	<u>1.8981</u>	
Deemed Asset Value (Per Bed)	29,644	29,644	
Number of Beds	<u>51</u>	<u>44</u>	
Deemed Asset Value	1,511,844	1,304,336	
Improvements Since 1981	537,680	26,427	
Accumulated Depreciation at 9/30/93	<u>(586,140)</u>	<u>(97,765)</u>	
Deemed Depreciated Value	1,463,384	1,232,998	
Market Rate of Return	<u>0.075</u>	<u>0.075</u>	
Total Annual Return	109,754	92,475	
Return Applicable to Non-Reimbursable Cost Centers	(1,959)	(1,048)	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>1,138</u>	
Allowable Annual Return	107,795	92,565	
Depreciation Expense	36,970	33,379	
Amortization Expense	-	407	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(660)</u>	<u>(1,516)</u>	<u>Total</u>
Allowable Cost of Capital Expense	144,105	124,835	\$268,940
Total Patient Days (Actual)	<u>17,618</u>	<u>15,199</u>	<u>32,817</u>
Cost of Capital Per Diem	\$ <u>8.18</u>	\$ <u>8.21</u>	\$ <u>8.20</u>

UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1993
 AC# 3-ELS-J3

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$ 1.02	\$ N/A
Adjustment for Maximum Increase	<u>3.83</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>4.85</u>	\$ <u>8.21</u>
Weighted Average Reimbursable Cost of		
Capital Per Diem *		\$ 6.41
Weighted Average Cost of Capital Per Diem		<u>8.20</u>
Cost of Capital Per Diem Limitation		\$ <u>(1.79)</u>

* $[(17,618 \times 4.85) + 124,835] / 32,817 = \6.41

